

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

Site and Improvements Summary

The subject land area is 0.11 acre. It has 50 feet of frontage on the west side of Ocean Front South. The parcel is nearly rectangular. The site is directly across the street from Salisbury Beach and the Atlantic Ocean.

The topography of the site is level. It appears that the entire site is located in a Zone C district, according to the Flood Insurance Rate Map prepared by the Federal Emergency Management Agency, Panel # 250103 0005 D, dated 7/2/92.³ Utilities available to the site include public water and sewer, telephone, electricity and gas.

The Carefree Arcade occupies the entire building. The gross building area is 4,560 square feet.

Improvements to the land consist of a single story concrete block building. The roof is shallow pitched, covered with rolled asphalt roofing. The foundation is a poured concrete slab. The front of the building has three roll-up wooden doors that cover the front of the Carefree Arcade. Access to the interior of the building was not provided, but is assumed to be consistent with similar use buildings. The building appears to be in average condition, with no observed deficiencies.

³ Zone C is defined as "areas of minimal flooding" by the Federal Emergency Management Agency. Zone B is defined as "areas between limits of the 100-year flood and 500-year flood; or certain areas subject to 100-year flooding with average depths of less than one (1) foot or where the contributing drainage area is less than one square mile; or areas protected by levees from the base flood. Zone A is defined as "areas of 100-year flood" (Where the Zone A designation is followed by a numerical sub-designation, the 100-year flood area includes "base flood elevations and flood hazard factors".)

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting
100 Conifer Hill Drive
Danvers, Massachusetts 01923
(978) 750-6667 • fax (978) 750-0456

Highest and Best Use Summary

Highest and best use is defined as:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.⁴

The subject property is located within the Beach Commercial district under the Salisbury Zoning Bylaw. This district allows a fairly broad range of commercial and residential uses, including: one and two-family dwellings; amusements; automobile repairs, sales and service; bakery; campground; carwash; department store; motel, hotel, cabins; professional and business office building; restaurants (including fast food); retail stores. (This list is not exhaustive.)

The district has no minimum lot area or street frontage requirements. Commercial use buildings can occupy up to 100% of the lot area; residential uses buildings up to 90% lot coverage. All uses have a maximum building height of 35 feet. A minimum of two parking spaces per dwelling unit is required.

In May, 2005, the Town adopted a new Salisbury Beach Overlay District and Site Plan Review process. The subject property is located within the Oceanfront South Revitalization Subdistrict. Allowable uses include those permitted in the underlying Beach Commercial district. The Overlay District encourages multi-family residential and mixed-use development by increasing the maximum allowable structure height to 65 feet and five floors of habitable space (above ground level parking). Lots for mixed-use developments having frontage of 100 feet or less must contain a minimum of 20% of commercial ground floor area. Mixed-use projects allow a reduction in parking to one space per dwelling unit. All projects developed under the Overlay District's enhanced density allowance require Site Plan Review (as do all new developments over 2,500 square feet of gross floor area, regardless of density).

⁴ The Appraisal of Real Estate, 10th edition. Appraisal Institute, 1992.

PETERSEN/LACHANCE REALTY ADVISORS

*Appraisal • Evaluation • Consulting**100 Conifer Hill Drive**Danvers, Massachusetts 01923**(978) 750-6667 • fax (978) 750-0456*

In consideration of market issues, it appears that the highest and best use of the 6 Ocean Front South property is to develop the site with either a multi-unit residential, or a mixed-use (i.e., ground floor commercial and upper story residential) development. Despite the proximity to Broadway and existence of established ground level commercial uses, a mixed-use project does not appear to present the most profitable use of the site. There is insufficient frontage for both a commercial use on the ground level and automobile access for ground level parking.

The following table summarizes approved or proposed unit densities of comparable projects.

DEVELOPMENT DENSITY OF RECENT RESIDENTIAL CONDOMINIUM PROJECTS
IN SALISBURY BEACH DISTRICT

Type Project	Location	Status	Overlay Density	# Units	Site Area	Units/Ac.
Residential	233 Beach Rd.	Proposed	Yes	32	0.92 Acre	35
Mixed Use	2 Broadway	Proposed	Yes	24	0.45 Acre	53
Residential	11 Railroad Ave.	Completed	No	23	1.06 Acre	22
Residential	406 N. End Blvd.	Completed	No	6	0.36 Acre	17
Residential	20-26 Cable Ave.	Under Const.	No	25	0.77 Acre	32
Residential	29 Railroad Ave.	Under Const.	No	6	0.19 Acre	32
Residential	595 N. End Blvd.	Completed	No	22	1.20 Acre	18
Residential	16 Cable Ave.	Proposed	No	4	0.10 Acre	40

The site is capable of supporting six residential units contained in three stories of habitable space over a ground level garage with 12 parking spaces. The current building floor area is 4,560 square feet. Three floors of habitable space would total 13,680 square feet. Deducting a common area loss factor of 18%, results in a total dwelling unit area of 11,218 square feet, or six units of 1,870 square feet each. All six units would have unobstructed ocean views.

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

Methodology

The three standard approaches to estimate value include the cost approach, the sales comparison (market data) approach and the income capitalization approach.

Two approaches are applicable to this assignment: the sales comparison approach and the development analysis (as a subapproach to the income capitalization approach). The cost approach is not applicable in this case.

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting
100 Conifer Hill Drive
Danvers, Massachusetts 01923
(978) 750-6667 • fax (978) 750-0456

Sales Comparison Approach

The sales comparison approach provides an estimate of market value by comparing the subject property with recent sales of similar properties. The major premise of this approach is that the market value of a property can be directly related to the prices of comparable, competitive properties. The five steps generally involved in this process are outlined on the following page:

1. Identify recent sales of similar properties for which transaction data are known.
2. Verify the information regarding the arms-length nature of the comparable transactions and terms.
3. Compare the attributes of the subject property with those of the comparable properties and adjust for any differences that may have impacted sales price. Specific consideration should be given to issues of time, location, physical characteristics, conditions of sale and current yield data.
4. Identify a unit of comparison between the subject and comparable properties that allows inferences to be made regarding the probable sales price of the subject property.
5. Reconcile the various value indications produced from the analysis of comparable properties to a single value or value range.

The following pages present sales of properties in the Salisbury Beach area where the highest and best use was multi-family development under a condominium form of ownership.

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

Comparable Sale #1
406 North End Boulevard
Salisbury, Massachusetts

Grantor:	Casino Motel Realty Trust, Francis J. Gorman, Sr., trustee
Grantee:	Dovaro Trust, Robert J. Palmisano, trustee
Title Reference:	Essex South Registry; Book 18711, Page 262
Map/Lot:	35/217
Date of Sale:	May 15, 2002
Land Area:	0.36 acre
Proposed Dwelling Units:	6
Sale Price:	\$1,000,000
Unit Price:	\$166,667
Utilities:	Municipal water and sewer, gas and electric
Sales History:	Prior sale was on 2/23/2000 from James Therrian in consideration of the grantee's assumption of four mortgages with a total face amount of \$625,000
Financing:	All cash to seller

Comments: This is the sale of a former 19-room, oceanfront motel built in 1950. The property was purchased for development of a six-unit condominium complex known as Ocean Club Condominium. All six units are contained in a single, newly constructed, three-story building with ground level parking. All units contain six rooms, three bedrooms, 2.5 baths and 2,016 square feet of living area. The most recent unit sale was for \$950,000 (\$471/SF) on November 8, 2005 for a top floor unit with unobstructed ocean views and direct beach access.

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting
100 Conifer Hill Drive
Danvers, Massachusetts 01923
(978) 750-6667 • fax (978) 750-0456

Comparable Sale #2
20-26 & 29 Cable Avenue
Salisbury, Massachusetts

Grantor: Excelsior Realty Trust, Barbara A. Webber & Kathleen J. Bean, trustees / Cable Fifty-Nine Second Realty Trust, Peter E. Jensen, trustee

Grantee: William Sobolewski & Dana Gianoulis / Giso Realty, LLC

Title Reference: Essex South Registry; Book 20166, Page 436; Book 23460, Page 493

Map/Lot: 32/50; 32/48, 49 & 59

Date of Sale: January 31, 2003; September 24, 2004

Land Area: 0.77 acre

Proposed Dwelling Units: 25

Sale Price: \$1,230,875 (\$290,000 and \$940,875)

Unit Price: \$49,235

Utilities: Municipal water and sewer, gas and electric

Sales History: No sales in prior three years

Financing: All cash to seller

Comments: This is the sale of four tax parcels with street addresses of 20 to 26 and 29 Cable Avenue. Twenty to 26 Cable Avenue are located on the west side of the street and 29 Cable is on the east side of the street. The parcels were acquired in two transactions from different sellers. The entire site was approved for a 25-unit residential condominium complex, known as Ocean Mist Condominiums. All units contain four rooms, two bedrooms and one full bath with 1,077 square feet of living area. The project was to be developed in four phases, with the final phase located on the east side of the street and containing eight units. The complex is located four blocks from the ocean, with no ocean views. The units in the first three phases have marsh views to the west. (The final phase has not been constructed.) Most of the units in this complex sold during 2004 in the \$250,000 to \$260,000 range (\$232/SF to \$241/SF).

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting
100 Conifer Hill Drive
Danvers, Massachusetts 01923
(978) 750-6667 • fax (978) 750-0456

Comparable Sale #3
595 North End Boulevard
Salisbury, Massachusetts

Grantor:	James R. Therrien
Grantee:	Frank Gorman
Title Reference:	Essex South Registry; L.C. Cert. #74788
Map/Lot:	36/40 & 41
Date of Sale:	July 12, 2002
Land Area:	1.20 acre
Proposed Dwelling Units:	22
Sale Price:	\$650,000
Unit Price:	\$29,545
Utilities:	Municipal water and sewer, gas and electric
Sales History:	Prior sale was non-arms-length on 5/1/2000
Financing:	All cash to seller

Comments: This is the sale of a 1.20-acre parcel located on the west side of North End Boulevard. The northerly boundary of the site is the New Hampshire state line, with State Route 286 located just to the north. The property was purchased for development of a 22-unit condominium complex known as The 286 Village Condominium. All units are two-story townhouses, containing four rooms, two bedrooms, 1.5 baths and 1,200 square feet of living area. The most recent unit sales were for around \$390,000 (\$325/SF) in early 2005. These units have marsh views, but are two blocks from the beach with no ocean views.

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting
100 Conifer Hill Drive
Danvers, Massachusetts 01923
(978) 750-6667 • fax (978) 750-0456

Comparable Sale #4
21 Atlantic Avenue
Salisbury, Massachusetts

Grantor:	Vertical Building & Development Associates, LLC (Pamela M. Kopka & Martin Wolons, members)
Grantee:	21 Atlantic Avenue, LLC (Ralph W. Meissner, manager)
Title Reference:	Essex South Registry; L.C. Doc. #436888
Map/Lot:	32/113
Date of Sale:	April 7, 2004
Land Area:	0.11 acre
Proposed Dwelling Units:	6
Sale Price:	\$600,000
Unit Price:	\$100,000
Utilities:	Municipal water and sewer, gas and electric
Sales History:	Prior sale was on 4/1/2002 from Joseph Petralia in consideration of \$312,000
Financing:	All cash to seller

Comments: This is the sale of a parcel of land for development of a six-unit condominium complex known as 21 Atlantic Avenue Condominium. All six units are contained in a single, newly constructed, three-story building with ground level parking. The grantor acquired a variance to demolish the existing structure and build the current 40' by 85', three story with ground level parking building. All units contain five rooms, two bedrooms, two full baths and 1,400 square feet of living area. The two most recent unit sales were for \$530,000 (\$379/SF) for a top floor unit on March 30, 2005 and \$519,000 (\$371/SF) for a first floor unit on May 25, 2005. The building fronts on Atlantic Avenue and Ocean Front South. All units have unobstructed ocean views and beach access across Ocean Front South.

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting
100 Conifer Hill Drive
Danvers, Massachusetts 01923
(978) 750-6667 • fax (978) 750-0456

Comparable Sale #5
29 Railroad Avenue
Salisbury, Massachusetts

Grantor:	Norman N. Pelletier
Grantee:	Song of the Sea, LLC (Peter A. Carbone, manager)
Title Reference:	Essex South Registry; L.C. Doc. #441503
Map/Lot:	32/68
Date of Sale:	June 16, 2004
Land Area:	0.19 acre
Proposed Dwelling Units:	6
Sale Price:	\$750,000
Unit Price:	\$125,000
Utilities:	Municipal water and sewer, gas and electric
Sales History:	No sales in prior three years
Financing:	All cash to seller

Comments: This is the sale of a single parcel of land for development of a six-unit condominium complex known as Song of the Sea Condominium. The land had been improved with a 2.5-story, wood-frame, six-unit apartment building. The building was constructed circa 1900 and contained 5,280 square feet of gross living area. There was also an attached cold storage warehouse of 1,850 square feet, built in 1964. Both structures were razed subsequent to the sale. Each of the six new units is a townhouse style condominium, containing five rooms, two bedrooms, two baths with ground level garage. The average gross living area is 1,380 square feet. The master deed was recorded on 12/5/05. The townhouses are located three blocks from the ocean, with no ocean views.

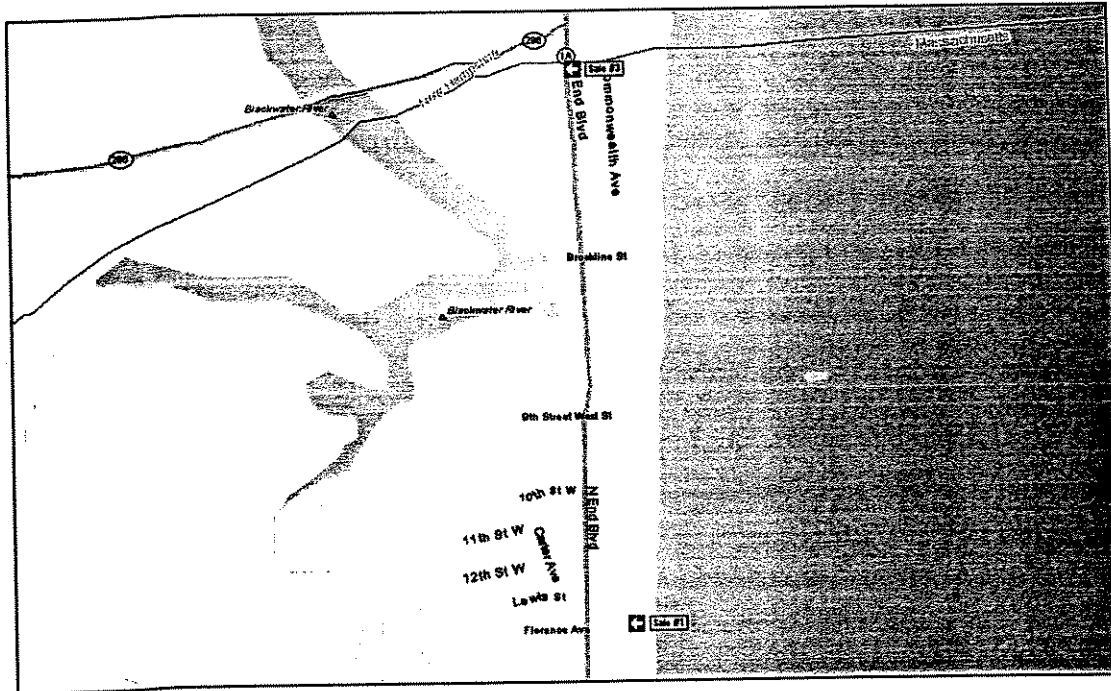
PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

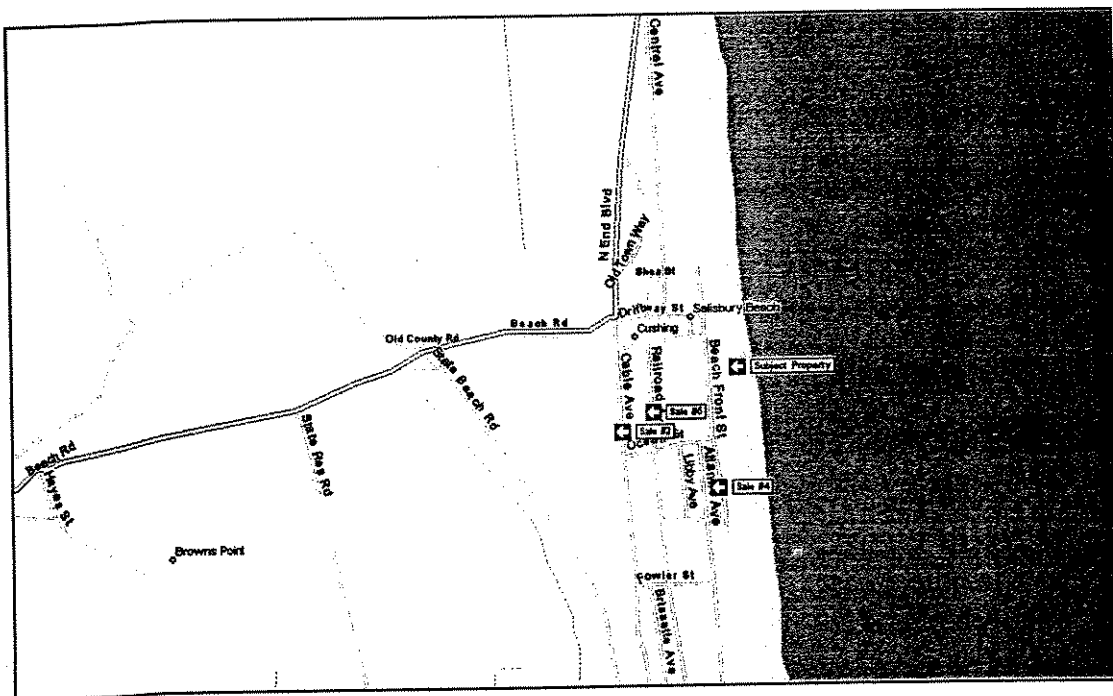
100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456



COMPARABLE SALES LOCATION MAP #1



COMPARABLE SALES LOCATION MAP #2

PETERSEN/LACHANCE REALTY ADVISORS

*Appraisal • Evaluation • Consulting**100 Conifer Hill Drive**Danvers, Massachusetts 01923**(978) 750-6667 • fax (978) 750-0456*

Analysis and Reconciliation of Sales Data -- The table below summarizes the most comparable site sales. No attempt to adjust the sales has been made.

Sale #	Sale Date	Dwelling Units	\$/Unit
Subject		6	
1	5/02	6	\$166,667
2	1/03, 9/04	25	\$49,235
3	7/02	22	\$29,545
4	4/04	6	\$100,000
5	6/04	6	\$125,000

The range of unadjusted prices for the comparable sales is from \$29,545 to \$166,667 per dwelling unit. Sales #2 and #3 are more similar to the subject with respect to the size of the complex. However, both of these sales are located well removed from the beach and possess only marsh views. Sales #1 and #4 are much more similar to the subject with respect to proximity to the beach and views of the ocean. Sale #1 sits directly on the beach with unobstructed ocean views and Sale #4 is just across the street from the beach with unobstructed ocean views. Sale #5, which has a lower number of units, sold for over \$100,000 per unit, even though it is located three blocks from the beach.

The subject site is across the street from the beach and all units would have unobstructed ocean views. Although there is an inverse relationship between the number of dwelling units and unit price (i.e., the larger the number of dwelling units, the lower the unit price, and vice versa, all other elements of comparison being equal), the greater influence is judged to result from proximity to the ocean. Therefore, the subject's unit price should lie closer to the higher unit prices. Reconciling the data, the most supportable value is in the vicinity of \$125,000 per dwelling unit, or \$750,000.

*** \$750,000 ***

(SEVEN HUNDRED FIFTY THOUSAND DOLLARS)

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

Development Analysis

The following analysis addresses the valuation of the subject 0.11-acre site. It represents the value of the land with no approvals in place. The analysis is based on the premise that the value of the entire subject site can only be realized upon the development and sale of individual parts of the whole. Although a prospective buyer would be purchasing the property (i.e., the site) in its entirety, he or she would analyze it on the basis of its individual components (i.e., condo units). Consequently, the value is a reflection of the income and expenses associated with selling off the parts that comprise the subject property in its highest and best use.

The following analysis addresses the income, expenses, time and management associated with developing the six-unit residential condominium.

Residential Condo Unit Sales Analysis – The unit sales on the following page were used to estimate the value of a typical residential unit in the subject hypothetical project. The sales shown were used to estimate the value for the six three-bedroom, 2.5, 1,870-square foot, market rate units in a mid-rise building. The typical residential unit value is based on \$315 per square foot of unit area, or \$589,050. The total gross sellout is projected at \$3,534,300.

SUMMARY OF CONDO UNIT SALES IN SALISBURY BEACH AREA - 2005

Sale #	Street Address Town	Condominium Project	Sale Date	Sale Price	Unit S.F.	Price/S.F.	Condo Fee	Fee/S.F.	Comments
1	Unit D, 14 Atlantic Ave. Salisbury	Atlantic Avenue Condos	10/1/2004	\$305,500	1,000	\$306	\$150.00	\$0.15	4-2-2 flat-style unit. 4-unit complex built in 2004. 2-car tandem parking; 1 block from Salisbury Beach. 2004 sale.
2	Unit A12, 11 Railroad Ave. Salisbury	Ocean Echo Condos	8/19/2005	\$295,000	1,200	\$246	\$225.00	\$0.19	5-2-2 flat-style. 23-unit complex under construction. 1-level unit, A/C, fireplace, central vac., roof deck, 2-car gar. under; 4 blocks from beach.
3	Unit A15, 11 Railroad Ave. Salisbury	Ocean Echo Condos	11/30/2005	\$390,000	1,700	\$229	\$283.00	\$0.17	6-3-3 townhouse-style, end unit. 23-unit complex under construction. 2-level unit, A/C, fireplace, central vac., roof deck, 2-car gar. under; 4 blocks from beach.
4	Unit 6, 21 Atlantic Ave. Salisbury	21 Atlantic Ave. Condos	3/30/2005	\$530,000	1,400	\$379	\$225.00	\$0.16	5-2-2 flat-style unit in 6-unit complex built in 2004. Under deck parking for 2 cars. Third floor unit with unobstructed ocean views; across street from beach.
5	Unit 1, 21 Atlantic Ave. Salisbury	21 Atlantic Ave. Condos	5/25/2005	\$519,000	1,400	\$371	\$225.00	\$0.16	5-2-2 flat-style unit in 6-unit complex built in 2004. Under deck parking for 2 cars. First floor unit with unobstructed ocean views; across street from beach.
6	Unit 1, 44 Central Ave. Salisbury	Ocean Heights Condos	6/18/2004	\$470,000	1,752	\$268	\$250.00	\$0.14	7-3-3 flat-style unit in 3-unit complex built in 1989. 2-car under deck parking. Deck with direct ocean front site. 2004 sale.
7	Unit 1, 59 Atlantic Ave. Salisbury	Atlantis Condos.	2/24/2005	\$329,000	847	\$388	\$130.00	\$0.15	4-2-1 flat-style unit in a 4-unit complex built in 1985. 2-car parking. Ground floor unit. Direct access to beach.

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

Absorption – Condominium unit sales in competing projects in Essex County have been analyzed in order to forecast the most supportable sellout scenario for the subject project. The survey indicates sales ranging from 1.16 units per month to 2.5 units per month over the past couple years.

Based on historical absorption and projected demand and supply issues, an absorption rate of two units per month is forecast for the subject project. Sales are projected to occur following a six-month period to account for receipt of local approvals and initial construction of the project building and infrastructure, during which time pre-sales and unit reservations are anticipated to occur.

Growth Rates – Retail prices for residential condos have been appreciating at a rapid rate for the past few years. Within the past year or so, however, price increases at the upper ends of the market have slowed. Revenue growth is forecast at a 6% annual rate throughout the sellout period. All development expenses are forecast to grow at 3% (except those tied to percentage changes in revenues, or otherwise explicitly stated in the cash flow assumptions).

Expense Estimates – A purchaser of the subject land would incur the following expenses as the project is developed. These expenses would be deducted from the gross sales revenue.

Sales Expense — The selling expense would consist of commissions paid to brokers, or allowed to the property owner, for efforts involved in selling the units. In this market area, the commission is often 5% or 6% for an entire project listing. This expense is estimated at 5% of gross sales. This rate is applied to all six units in the project as they are projected to sell.

Legal — Legal fees were estimated based upon \$1,000 per unit, plus \$5,000 in the first two quarters to account for costs associated with complying with the permitting process and addressing development of the master deed, declaration of trust and bylaws.

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

Real Estate Taxes — The entire six-unit condominium project is anticipated to sellout in one quarter, following the six-month approval and initial construction period. The subject's actual current tax levy has been applied to the first two quarters of the analysis (divided by four to reflect the quarterly levy). During the final quarter the estimated market value of the units is multiplied by the tax rate (after dividing by 1,000) and applied to the remaining (unsold) units.

Construction Costs — This line-item addresses all the hard construction costs associated with the project.

There are a total of six units in a mid-rise building. The building area is estimated at 13,680 square feet. The costs associated with constructing the three-story building are estimated at \$105.00 per square feet of building area, based on analyses of comparable mid-rise condominium project costs in the Merrimack Valley region. The costs of constructing the building are applied to Quarter 2 of the analysis. In addition, \$50,000 in site costs is applied to Quarter 1, which includes demolition of the existing building.

Total hard construction costs are estimated at \$1,497,173 (in inflated dollars).

Project Surety — Since no significant public infrastructure is anticipated, a surety cost of 1.0% of construction costs is included in the analysis.

Architectural, Survey and Engineering — The total architectural, survey and engineering cost has been estimated at \$75,000. All but \$5,000 is charged in the first two quarters of the analysis, with the last quarter incurring the expenses for preparation of "as built" plans and close-out inspection fees.

Impact Fees — This represents the fees charged to the developer by the municipality. The new Overlay District bylaw requires a "one-time payment equal to \$3,000 per permitted dwelling unit" to be paid to the Town's Infrastructure Improvement Fund "at the time of conveyance of each unit".

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting
100 Conifer Hill Drive
Danvers, Massachusetts 01923
(978) 750-6667 • fax (978) 750-0456

Condominium Maintenance Fees — The average condominium fee, estimated at \$260 per month per unit, has been applied to each of the remaining units per quarter over the analysis period.

Supervision and Overhead — This represents the cost of managing the development project. This equates to the cost of hiring a clerk of the works, or compensating the developer directly if he or she chooses to manage the project. Given the size of this project and anticipated completion in roughly six months, the cost of supervision is forecasted at 2.0% of construction costs.

Developer's Target Profit — This is an entrepreneurial expense and represents the amount of money that is necessary to attract a competent investor or developer to the enterprise. It is a function of risk and fluctuates with the development stage of the project, the applied retail unit prices and the size of the project (# of units). Since this analysis assumes no permits-in-hand as of the date of value, the degree of risk is significant. In addition, the risk associated with constructing the building and infrastructure and selling the condo units remains. Therefore, a 25% incentive appears to be sufficient to attract a developer to this project. This rate is applied to the adjusted gross sales figure in each quarter of the analysis.

Discounting Future Income — Typically, developers, appraisers and real estate analysts apply a discount rate to the periodic cash flows when the benefits of the investment are anticipated to be received at some time in the future. Total expenses subtracted from the adjusted gross sales revenue results in net operating income. These periodic net incomes are discounted over the absorption period to reflect the present value of the revenue stream.

The discount rate, in the case of the subject development, accounts for the time-value of money (i.e., erosion of purchasing power due to inflation), illiquidity and opportunity costs associated with real estate investments. The discount rate is based on a relatively safe rate, which in this case is estimated at 10%. This can be equated to a "cost of funds" rate. Therefore, the final discount rate is estimated at 10% annually,

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

or 2.5% on a quarterly basis. (Note: the *risk* associated with permitting, constructing and selling the various components that comprise the subject property is contained within the *developer's target profit*.)

Value Conclusion -- The subject six-unit condominium project cash flow analysis is summarized on the following page. The total present value of the net income is calculated at \$779,085, rounded to \$780,000. This reflects a value per unit of \$130,000.

*** \$780,000 ***

(SEVEN HUNDRED EIGHTY THOUSAND DOLLARS)

**DISCOUNTED CASH FLOW ANALYSIS
"AS IS" LAND VALUE FOR A PROPOSED
SIX-UNIT RESIDENTIAL CONDOMINIUM PROJECT
SIX OCEAN FRONT SOUTH, SALISBURY, MASSACHUSETTS**

VALUATION DATE	12/23/2005
NUMBER OF CONDO UNITS	6
GROSS SELLOUT (inflated \$)	\$3,641,124
GROSS SELLOUT (constant \$)	\$3,534,300
INITIAL AVG. CONDO UNIT PRICE	\$589,050
QUARTERLY SALES GROWTH RATE	1.50%
Q'RTLY EXPENSE GROWTH	0.75%
SALES AND MARKETING	5.00%
LEGAL (per unit)	\$1,000
SURETY (as % const. costs)	1.00%
AVERAGE MONTHLY CONDO FEE	\$260
SUPERVISION & OVERHEAD	2.00%
DEVELOPER'S TARGET PROFIT	25.00%
QUARTERLY DISCOUNT RATE	2.50%

VALUATION SUMMARY

INDICATED LAND VALUE (ROUNDED)	\$780,000
INDICATED VALUE PER CONDO UNIT	\$130,000

QUARTER	1	2	3
Number of Units Sold Per Period	0	0	6
Cumulative Units Sold	0	0	6
Remaining Units	6	6	0
UNADJUSTED SALES REVENUES	\$0	\$0	\$3,534,300
GROWTH ADJUSTED SALES REVENUES	\$0	\$0	\$3,641,124
DEVELOPMENT EXPENSES			
Sales and Marketing	\$0	\$0	\$182,056
Legal and Admin.	5,000	5,038	6,090
R.E. Taxes on Land	893	893	0
R.E. Taxes/Unsold Units	0	0	8,736
Construction Costs	50,000	1,447,173	0
Project Surety	500	14,472	0
Architectural, Survey & Engineering	35,000	35,263	5,075
Impact Fees	0	0	18,000
Condo Fees/Unsold Units	0	0	4,750
Supervision & Overhead	1,000	28,943	0
Developer's Target Profit	0	0	910,281
TOTAL EXPENSES	\$92,393	\$1,531,781	\$1,134,989
NET INCOME	(\$92,393)	(\$1,531,781)	\$2,506,135
QUARTERLY DISCOUNT FACTORS	0.97561	0.95181	0.92860
DISCOUNTED CASH FLOWS	(\$90,139)	(\$1,457,971)	\$2,327,196
PRESENT LAND VALUE	\$779,085		
TOTAL DEVELOPMENT COSTS	\$1,848,881		

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

Final Reconciliation

Reconciliation is the analysis of alternative conclusions to arrive at a final value estimate. Preparation of the reconciliation requires a review of the appraisal to ensure that the analytical techniques and logic followed are valid, realistic and consistent.

The subject of this report is a single story concrete block building, currently used as an arcade. The land area is 0.11 acre and the street address is 6 Ocean Front South, Salisbury, Massachusetts. However, the highest and best use of the property is estimated to be a six-unit residential condominium project.

Based on the stated purpose of this report, the property rights appraised, and the characteristics of the subject property, the sales comparison and income capitalization approaches have been utilized. Although both approaches indicate similar values, somewhat greater emphasis has been placed on the sales comparison approach in reconciling to a single-point value.

Therefore, as a result of this analysis that is based upon the information presented herein, additional data contained in files, and the appraiser's knowledge and experience with various value factors considered pertinent to this study, it is concluded that the market value of the fee simple estate in the 6 Ocean Front South property, "as is", as of December 23, 2005, is:

***** \$750,000 *****

(SEVEN HUNDRED FIFTY THOUSAND DOLLARS)

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

Professional Qualifications

JOHN G. PETERSEN, MAI, SRA

John G. Petersen is a partner in the firm of Petersen/LaChance Realty Advisors, a real estate appraisal and consulting firm serving public, private and institutional clients throughout New England and the Northeast.

Prior to establishing Petersen/LaChance, Mr. Petersen was affiliated with Byrne McKinney & Associates, Inc., in Boston, where he was a Senior Associate. Prior to this, he was Vice President/Senior Review Appraiser with Home Owners Federal Savings, one of the largest savings and loan associations in the Northeast. Other professional experience includes various appraisal and brokerage positions as well as community development and city planning positions with local governments in Massachusetts. His real estate appraisal and consulting experience exceeds 20 years.

Mr. Petersen is a member of the Appraisal Institute, having been awarded both the MAI and SRA designations. The Appraisal Institute is the oldest and most prestigious professional appraisal organization in the country. His appraisal experience includes, but is not limited to, apartment and condominium projects, residential properties, industrial facilities, biotechnology facilities, food processing facilities, gas stations, convenience stores, retail centers, office properties, hotels, motels, car washes, marinas, boatyards, junkyards, nursing homes, assisted living facilities, airports, self-storage facilities, mobile home parks, farms, schools, special use properties and land development projects. In addition, Mr. Petersen has experience in highest and best use studies, feasibility and market studies, and the valuation of partial interests, such as easements and leaseholds, as well as those involving minority interest discounts. He has extensive experience in complex, multi-tenant property valuation and evaluation assignments and is proficient in both Pro-Ject® and Argus® financial analytical software. He has also consulted on various land use and development projects.

Mr. Petersen has served in several leadership capacities in the Appraisal Institute, including: chair and vice chair, Chapter Admissions Committee; chair, (National) Experience (peer) Review Committee; member, Ethics and Counseling Committee; chair, Chapter Examinations Committee; chair, Chapter Government Relations Committee. He served two, three-year terms on the Board of Directors of the Massachusetts Chapter of the Appraisal Institute. He is the Chapter President for 2006 and a Regional Representative.

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

Mr. Petersen holds a Bachelor of Science degree from Northeastern University. He is the former chair of the Amesbury Planning Board and former chair of the Amesbury Industrial Development Commission. He is licensed by the Commonwealth of Massachusetts as a Construction Supervisor (#019079) and Real Estate Broker (#9062031). Mr. Petersen is a state certified-general appraiser in Massachusetts (#837), New Hampshire (#405) and Maine (#1297) and has qualified as an expert witness before the Federal Bankruptcy Court, Essex County Superior Court and the Massachusetts Appellate Tax Board. He is also a licensed aviator and has performed a broad variety of valuation and consulting assignments throughout the Northeast.